

**GOVERNMENT THAT WORKS!
NEW JERSEY DEPARTMENT OF THE TREASURY
LOCAL GOVERNMENT BUDGET REVIEW
DOWNE TOWNSHIP
BOARD OF EDUCATION**

CHRISTINE TODD WHITMAN
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*Commissioner
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DECEMBER, 1995

**COMPARISON OF BUDGET APPROPRIATIONS, STATE AID, AND
LOCAL TAX RATE WITH RECOMMENDED REDUCTION IN THE
DOWNE TOWNSHIP BOARD OF EDUCATION COST OF GOVERNMENT**

A.	Lawn Maintenance	\$ 3,250
B.	Garbage Removal	\$ 4,405
C.	Food Service	\$65,306
D.	Janitorial	\$61,950

Total Operating Budget Savings	\$134,911
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Total Amount to be Raised for School Tax	\$ 806,724
Savings as a % of School Tax	16.72%

Total Budget (FY94)	\$3,549,185
Savings as a % of Budget	3.80%

Total State Aid (FY94)	\$1,770,313
Savings as a % of State Aid	7.62%

**LOCAL GOVERNMENT BUDGET REVIEW
EXECUTIVE SUMMARY
DOWNE TOWNSHIP BOARD OF EDUCATION**

A. Lawn Maintenance

Using the Downe Township Public Works Department for lawn maintenance will result in an annual savings of \$3,205.

B. Garbage Removal

Having Downe Township use its garbage truck to provide garbage removal services will result in annual savings of \$4,405.

C. Food Service

Competitive contracting for food services by the Downe Township Board of Education could result in an elimination of the annual contribution of \$65,306.

D. Janitorial and Custodial Services

Competitive contracting for janitorial services could present an annual savings of \$61,950.



GOVERNMENT THAT WORKS

OPPORTUNITIES FOR CHANGE

The Report of the Downe Township Board of Education Budget Review Team

New Jerseyans deserve the best government that their tax dollars can buy. Governor Christie Whitman is committed to making State government leaner, smarter, and more responsive, by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board.

Government on all levels must stop thinking that more money is the solution to their problems, and start examining how they spend the money they have now. The State's taxpayers cannot afford to keep sending money to their government. It is time for government to do something different.

There is no doubt that local government costs -- and the property taxes that pay for them -- have been rising steadily over the last decade. Until now, the State has never worked with towns to examine what is behind those rising costs. That is why the Local Government Budget Review Program was created by Governor Whitman and State Treasurer Brian W. Clymer. Its mission is simple: to help local governments find savings, without compromising the delivery of services to the public.

The Local Government Budget Review Program fulfills a promise Governor Whitman made in her first budget address, when she offered the State's help to local governments looking to cut costs. This innovative approach combines the expertise of professionals from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a management review and consulting service provided to them at no cost by the state.

To find those "cost drivers" in local government, the teams will review all aspects of the local government operation, looking for ways to improve efficiency and reduce costs. The teams will also document those State regulations or legislative mandates which place an unnecessary burden on local governments, and suggest which ones should be modified or eliminated. Finally, the teams will note where local governments are utilizing "Best Practices" -- innovative ideas that deserve recognition and that other municipalities may want to emulate.

This intensive review and dialogue between local officials and the review team is designed to produce significant insight into what factors are driving the costs of local governments, and provide the necessary tools to bring meaningful property tax relief to the State.

THE REVIEW PROCESS

In order for a town, county or school district to participate in the Local Government Budget Review Program, a majority of the elected officials must request the help through a resolution. There is a practical reason for this: to participate, the governing body must agree to make all personnel and other records available to the review team, and agree to an open public presentation and discussion of the review team's findings and recommendations.

As part of the review of the Downe Township School System, team members interviewed administrators, school board members, and a number of staff members, as well as contractors and other parties and/or individuals related to the school system. The team reviewed various documents, including the current collective bargaining agreements, the Comprehensive Annual Financial Report (CAFR), public offering statements, annual financial statements, the school code and independent reports previously developed for the school system. During the course of this study, the team also made a number of site visits, examining each of the school facilities and observing various school operations.

In general, the review team received the full cooperation and assistance of all the school system's staff members and elected officials.

OVERVIEW

The Township of Downe is a rural community in the south Cumberland County, just below the City of Millville. It is located on the Delaware Bay and borders Commercial Township, Maurice River Township, Lawrence Township and the City of Millville. The township consists of 939 dwelling units, according to the 1990 census, and has seen very little change in its overall population due to significant wetlands and environmentally sensitive areas. Downe Township averages 4-6 new buildings per year, with very little commercial or industrial construction. The township has an area of over 54.7 square miles.

Downe Township has four primary residential areas: Newport, Dividing Creek, Fortesque and Gandy's Beach. A significant portion of the township consists of farmland and rural housing. All commercial activity is located along Route 553, which stretches from one border of the township to the other. Fortesque is the site of a state marina and a small Coast Guard auxiliary station. Like many resort towns in New Jersey, activity in this community is predominantly seasonal with summer being the most active time of the year. As of 1992, the population of year-round residents was 1,702, growing to over 3,000 during the summer.

The Board of Education maintains three separate facilities for the students in Downe Township (including the tuition-paying out of district students). These include a six classroom facility in the Dividing Creek area of the township, which accommodates grades K-2 and a special education class. Grades 3-8 are schooled in a modern structure located on Route 553 in the westerly portion of Downe Township, near the municipal complex. It also contains several special education classes. A high percentage of all facilities, staff and resources within this district are dedicated to special education, not only for Downe Township students, but for students from several other districts in Cumberland County. The school district also maintains a two classroom facility in Newport for special education classes and the Child Study Team (CST).

There are approximately 274 students in the district educated in the three District facilities. The Downe Township Board of Education sends its 55 high school students to the Bridgeton High School under a tuition paying contract. The township is, for the most part, satisfied with the results of this sending relationship. The K-8 operating system has proven to be costly for the community which has responded by developing a strong special education program serving much of the region. This has helped to reduce the per pupil cost within the district, although it has not succeeded in reducing those costs to statewide norms.

The Downe Township Board of Education maintains a rather unique sending/receiving relationship with school districts in the central/southern Cumberland County area for special education students. Due to the lack of an Educational Service Commission (ESC) or a Special School District (SSD) within Cumberland County, the Downe Township school board is maintaining a center for special education. The school system services ten other Boards of Education, located not only in Cumberland County, but also in Cape May County. The system provides instructional classes for preschool handicapped children as well as for students who are classified as emotionally disturbed and/or mentally retarded but educable and trainable. The district also maintains classes for the neurologically

impaired (NI) and perceptually impaired (PI). For the year ending June 30, 1994, over 25% of the district's total revenues were generated by tuition paid by out-of-district special education children.

In spite of these efforts to control costs and generate tuition paying students, the district has been unable to reduce its per pupil administrative cost below the administrative penalty threshold provided for by law. Although the additional students substantially reduce the penalty by spreading fixed administrative costs over a larger student population, it has not been sufficient to eliminate the administrative penalty. The recommendation and alternatives presented in this report may provide an opportunity to reduce the district's administrative costs while altering its student population.

BEST PRACTICES

1. *Kid's Center*

The Downe Township Board of Education maintains a program known as the Kid's Center, which is a school age child care program offering a variety of services and recreational activities. The program goes beyond the scope of most general day care centers, offering instruction and services in areas such as nutrition education, family life and health practices, general health care and counseling (for problems related to both family and school).

The Kid's Center operates Monday through Thursday, 12:00-6:00 p.m., and Friday 12:00-4:00 p.m. The Kid's Center offers recreational activities Monday through Friday, 3:30-5:30 p.m.

The Kid's Center Program is funded by a grant from the NJ Department of Human Services and is coordinated through the City of Bridgeton and the Cumberland County Superintendent of Schools.

The team feels that the assistance offered to the students currently attending the Downe Township schools makes the Kid's Center a worthwhile and commendable program.

2. *Investment Procedures and Policies*

The review team conducted an analysis of the school's cash management practices for 1994 and the related investment income for the same year. These practices and the resulting income were compared to the NJ Cash Management Fund. The School Business Administrator substantially exceeded the investment returns of the NJ Cash Management Fund for the fiscal year ending June 30, 1994. Further review showed that the school financial management system, policies and procedures are working well. The team commends the School Business Administrator and the Board of Education for their aggressive cash management and investment practices.

3. *Special Education*

The team, after a review of operations, commends the district for its special education program.

In Cumberland County, the absence of an Educational Service Commission (ESC) and Special School District (SSD) results in a lack of instructional facilities and staff for these intense areas of special education. Downe has provided those services. Using the Department of Education formula for tuition, we believe that the Special Education Instruction program generates sufficient income to support keeping the current educational plan. The program has also achieved significant success in addressing the needs of these students and their families. We would note, however, that the district's classification of students as PI, perceptually impaired, at 14% of the first through eighth grade population is significantly

greater than the statewide average of 11.5 percent. While congratulating the district for its efforts to effectively address the special education population we would suggest that careful review of the perceptually impaired classification process be undertaken.

SPECIFIC RECOMMENDATIONS

A. *LAWN MAINTENANCE*

The Downe Township Board of Education currently contracts for grass cutting at the Newport, Dividing Creek and Downe Township Elementary Schools, at a 1995-96 cost of \$3,250. As is common with lawn maintenance, this work occurs from April through late October, and is compatible with the grass cutting operations of the Downe Township Public Works Department.

RECOMMENDATION

The team recommends that the Downe Township Public Works Department assume the responsibilities of lawn maintenance at the three educational sites at no additional cost to the taxpayer. This would represent a cost savings of \$3,250.

B. *GARBAGE REMOVAL*

Downe Township Public Schools currently pays \$4,405 per year for garbage removal from its various sites. A review of the municipal solid waste and recycling facility indicate that the Township of Downe's garbage truck makes a twice-weekly trip to the Cumberland County Landfill. The team feels that the truck could service the Downe Township Schools and eliminate this cost for the district.

RECOMMENDATION

The elimination of the outside solid waste contractor will bring a \$4,405 savings in operational expenses.

C. *FOOD SERVICE*

The Downe Township Board of Education provides a hot-meal lunch program for its students at all three facilities. A review of the June 30, 1994 CAFR shows the cost of providing the meals to the children in the district was \$143,685.

When reflected against the annual revenue of approximately \$27,394, the net operating loss prior to federal and Board reimbursement was \$116,291. The Board receives \$2,755 from state sources and \$48,230 from various federal programs, including free commodities such as milk and cheese. The Board of Education provided \$25,000 to cover the deficit anticipated in food service operations in its 1993-94 budget. However, the shortfall actually required an additional appropriation of \$40,306.

RECOMMENDATION

The team recommends that the Downe Township Board of Education immediately take steps to seek competitive bids for food service for the three service sites. The team has found that other districts have been able to eliminate the deficit incurred by food service operations. A competitive private contract could present a savings of \$65,306.

D. *JANITORIAL AND CUSTODIAL SERVICES*

The district currently expends \$159,580 a year to provide custodial and maintenance service to its three facilities. The cost categories included in this analysis are as follows:

• Salaries and wages	\$ 87,977
• Professional and technical services	\$ 4,615
• Cleaning repair and maintenance services	\$ 31,743
• General Supplies	\$ 18,759
• Benefit Packages	<u>\$ 16,486</u>
TOTAL	\$159,580

The district's custodial staff currently maintains approximately 35,013 square feet of building space. This equates to \$4.56 per square foot for custodial and maintenance services in the district. The \$123,222 cost for custodial salaries, fringe benefits and general supplies translates into a \$3.52 cost per square foot. It would appear that this cost is driven by the number of small schools which must be maintained and the staffing associated with those facilities.

RECOMMENDATION

The team, in its review of other public entities, has determined that competitive contracting bids exist in a range up to \$1.75 per square foot for custodial services, including supplies. Assuming a cost of \$1.75 per square foot, the market value of those services could be \$61,950 less than the Board's current cost for those services. We recommend that the school district immediately seek competitive prices from the private sector to ensure that the accurate market price is being paid for these services. The high cost of operating and maintaining the current facilities should be an important part of any analysis of the Board's future programs.

GENERAL FINDINGS AND RECOMMENDATIONS

1. **SPECIAL EDUCATION** - The issue of special education in the Downe Township Public School system has become a matter of extensive controversy and questioning by the school board, community and the elected municipal officials. The educational and social value of operating an extensive special education program, which serves a significant number of students from other communities, requires constant evaluation. There are a total of approximately 274 elementary students educated in the three schools. Ninety five of the students are classified as special education students.

TABLE A
ENROLLMENT

A.	<u>Downe Town School</u> (Newport)	24
	Pre- School Handicapped (PSH)	19
	Trainable Mentally Retarded (TMR)	5
B.	<u>Primary School</u> (Dividing Creek)	78
	Preschool	14
	Kindergarten	18
	First Grade	18
	Second Grade	20
	Emotionally Disturbed-I (ED)	8
C.	<u>Elementary School</u> (Route 553)	172
	Third Grade	22
	Fourth Grade	13
	Fifth Grade	17
	Sixth Grade	20
	Seventh Grade	20
	Eight Grade	17
	Educable Mentally Retarded-I (EMR)	7
	Educable Mentally Retarded-II (EMR)	10
	Perceptually Impaired-I (PI)	11
	Perceptually Impaired-II (PI)	11
	Emotionally Disturbed-II (ED)	8
	Emotionally Disturbed-III (ED)	6
	Emotionally Disturbed-IV (ED)	10
D.	District Total	274

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As demonstrated in the enrollment data above, approximately 35% of all the students enrolled and attending classes in Downe Township are in self-contained special education classes. A majority of these students are not Downe Township residents, but are tuition-paying students from other districts. These students are enrolled in classes for the trainable mentally retarded, preschool handicapped, educable mentally retarded, emotionally disturbed and neurologically/perceptually impaired.

To fully understand the financial effect of the special education classes, the team has prepared **Table B** which breaks down the special education classifications as well as the number of students in attendance. The table also differentiates between those students who are residents of Downe Township and those who are out-of-district students.

TABLE B
SPECIAL EDUCATION PROFILE
(Self Contained)

<u>Classification</u>	<u>Total</u>	<u>Downe</u>	<u>Non-Resident</u>
Pre-School Handicapped	19	5	14
Trainable Mentally Retarded	5		5
Emotionally Disturbed-1	8		8
Educable Mentally Retarded-I	7		7
Educable Mentally Retarded-II	10	2	8
Perceptually Impaired-1 & 2	22	21	1
Emotionally Disturbed-II	8	1	7
Emotionally Disturbed-III	6		6
Emotionally Disturbed-IV	<u>10</u>	—	<u>10</u>
TOTAL	95	29	66

As is demonstrated in the table, the majority (66) of the students are out-of-district students; principally in the TMR, EMR, and ED classes. As stated earlier, the large number of tuition-paying students are available to attend Downe Township's school because, unlike most other counties in New Jersey, Cumberland County does not have either a Special School District or Educational Service Commission.

The tuition off-sets both the educational and transportation costs of the district.

The average tuition schedule on a year-by-year basis is outlined in **Table C**.

TABLE C

**TUITION STUDENTS ATTENDING DOWNE
TOWNSHIP SCHOOL DISTRICT**

<u>Type</u>	<u>Age Range</u>	<u># of Students</u>	<u>Tuition</u>	<u>Total Revenue</u>
PSH	3 - 4	14	\$ 8,100	\$113,400
PI	6 - 10	1	10,100	10,100
EMR	5 - 9	7	13,750	96,250
EMR	10 - 14	8	13,750	110,000
ED	6 - 9	8	13,950	111,600
ED	10 - 11	7	13,950	97,650
ED	12 - 13	6	13,950	83,700
ED	13 - 14	10	13,950	139,500
TMR	6 - 10	<u>5</u>	17,225	<u>86,125</u>
		66		\$848,325

In addition to the tuition shown above, the district receives an additional \$80,000 in State transportation aid for a total of \$928,325. The tuition and aid received by the Downe Township school system for its special education operations normally exceeds \$925,000. The tuition charged for the out-of-district children is based upon Department of Education formulas. This formula allows the district to include a portion of administrative and operating costs in the tuition billed to the sending district.

The community is concerned whether the school district and the taxpayers should provide special education services to other communities. Due to these concerns, the team performed an analysis of the district's special education operations to determine whether the continued operation of this regional special education system made operational and financial sense.

The team examined two alternatives which would alter the structure of the special education operations of the district.

OPTION 1 - The first option calls for the elimination of all self-contained special education classes. This would require the out-of-district placement of 29 Downe Township resident students now receiving self-contained classroom instruction. This change would also eliminate various expenditure items included in the special education instruction portion of the budget. The district could perhaps reduce one-half of its child study team and eliminate a principal by requiring the Superintendent to also serve as the principal of the single school. By eliminating the self-contained, special education-only classes, the district could consolidate the Downe Township school facilities, close the Dividing Creek and Newport school buildings and realize a savings of approximately \$75,000 in operations and maintenance costs. Elimination of the special education portion of the staff would obviously bring with it a reduction of employee benefit costs to the district.

This option would result in a loss of approximately \$929,325 in revenues from tuition and transportation aid while providing a net reduction of approximately \$680,962 in expenditures. In our opinion, based upon the 1993-94 audit, the district would have had a net financial loss of \$248,363 if it had not provided any in-district special education.

OPTION II - Option II calls for a less comprehensive approach; keeping the Pre-School Handicap program and the NI/PI classes within the district. Both the pre-school handicap program and the perceptually impaired program have higher proportions of Downe Township residents as students than the other classes. The perceptually impaired classes are almost all from Downe Township.

This option would result in a reduction of tuition income and would result in a total loss of transportation aid. The special education instruction department would be reduced while providing for the retention of the pre-school handicap teacher, NI/PI teachers and the related aides. There would be an increase of approximately \$50,000 in tuition paid and an additional increase in transportation costs. The Board could still close the Newport school but would have to retain the Dividing Creek School. There would be an additional reduction in health benefits costs due to the reduction in staff.

This option would result in a loss of approximately \$805,825 in revenues while producing a net reduction of approximately \$565,910 in expenditures. In our opinion the district would have had a net financial loss of \$239,915 if it provided only this limited in-district special education.

Recommendation

The team recommends that the current educational plan be maintained and that the district actively seek, from all other sending districts in Cumberland and Upper Cape May Counties, as many special education students as they can accommodate. The team acknowledges that the service infrastructure is in place and that additional placements bring with them additional tuition income with relatively minor cost increases to the district. Each additional special education student adds efficiency to each class and helps to reduce the per pupil administrative cost of the district. The team prepared **Table D** to document the existing available space in special education classrooms as of 12/1/94.

TABLE D
EXISTING AVAILABLE SPACE IN
SPECIAL EDUCATION CLASSROOMS
AS OF 12/01/94

Type	School	Age Range	Aide	# of Students	Allowable Capacity	Available Spaces
PSH	D.Towne	3-4	yes	19(2 classes)	22	3
PI	D.Elem.	6-10	yes	11	16	5
PI	D.Elem.	11-14	yes	11	16	5
EMR	D.Elem.	5-9	yes	7	16	9
EMR	D.Elem.	10-14	yes	10	16	6
TMR	D.Towne	6-10	yes	5	13	8
ED	D.Primary	6-9	yes	8	11	3
ED	D.Elem.	10-11	yes	8	11	3
ED	D.Elem.	12-13	yes	6	11	5
ED	D.Elem.	13-14	yes	<u>10</u>	11	<u>1</u>
TOTAL				95		48

As is displayed in the above table, additional space does exist in the Downe Township self-contained classrooms and every attempt should be made to fill these spaces. As was noted earlier, the review team was concerned by the significant number of resident students classified as perceptually impaired. The elimination of one PI class could possibly be achieved by moving only one third of those students into regular classes. This would potentially allow for the elimination of one PI teacher while providing appropriate opportunity for all students.

2. ***FACILITIES*** - The facilities in the district were found to be in satisfactory shape. The district only has one principal for all three buildings due to a state waiver. The team agrees that the small size of the district and the student population only warrants one principal.

The district should move to consolidate its activities at the modern Route 553 facility by adding additional classroom space. The question of how much to consolidate is one that the board must address. There is no guarantee that the district's current special education operation will not change, given the number of out-of-town special education students who attend classes in the district. If the county establishes a Special School District or Educational Service Commission, the likely outcome would be that the special education program at Downe could be reduced significantly affecting both the space and staffing requirements of the district. In addition, the advanced age of Newport and Dividing Creek facilities will mandate ever increasing maintenance costs, and argue in favor of consolidation which offers potential savings in food service, custodial, insurance, transportation, energy and repairs. This goal should be incorporated into the five-year plan of the district and should be an active issue for the Board.

SHARED SERVICES

Presently, the township and the school district do not maintain any shared services. However, management has agreed to discuss some potential merging of services in an effort to reduce costs and streamline operations.

As noted in the Best Practice section, the district possesses a knowledgeable and experienced business administrator. The business activities of the school district and the municipality are not large enough to warrant two separate operations. Although the township must have a Certified Municipal Finance Officer, there are many business activities that can and should be consolidated into one business office. As the school has a full-time competent finance professional, it would be both logical and efficient to combine these operations into one office.

Consolidating into one office would provide the necessary financial controls and expertise taxpayers demand. After meeting the two individuals involved, the team feels that with the support of both elected bodies, this recommendation would be the best interest of the taxpayers, citizens and students of Downe Township.

This opportunity is particularly important to the community as it would represent an opportunity for the district and the municipality to share both the value and the cost of the school's business expertise. This could work to significantly reduce the district's administrative cost per pupil and help to avoid administrative penalties in the future. The transfer of cost to the municipality in return for the work performed would be of economic value to all taxpayers.

At the same time, the district should continue to explore opportunities to work with other districts to achieve greater operating efficiencies. Sharing of business or other administrative services with other districts should be explored while discussions are occurring with municipal officials. We believe that the greatest need and the greatest value may be achieved by working with those municipal officials who serve the same taxpayers.

Following is a list of some of the services which the team feels offer potential for sharing.

- Purchase of photocopy paper
- Contracting for photocopy machine maintenance
- Lawn maintenance
- Refuse collection
- Snow removal
- Purchasing of general office supplies
- Health insurance group coverage
- Purchasing of vehicle fuel
- Preparing of payroll checks and reports
- Preparing of payroll tax returns
- Custodial services
- Use of school district pickup truck

- School district recycling
- General business practices/investment strategies

An effort such as this will ultimately reduce workloads, eliminate unnecessary redundancy, while reducing operating costs and increasing efficiencies. Further, this will benefit the community as a whole by bringing together the ideas and efforts of the two entities that provide public services to its citizens.

LOCAL GOVERNMENT BUDGET REVIEW

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